First, what is a “small business?” In Oregon, 80% of the companies have less than 10 employees. If, as in most federal programs, you use the SBA definition of “small business”, this region’s largest employer with 500 employees is considered small.

Thomas Jefferson said: "Were we directed from Washington when to sow and when to reap, we should soon want bread."

The current recession was triggered by a collapse in the housing market. This was aggravated by the revelation that the mortgage market had been distorted, which in turn led to practices in financial markets that brought down, or endangered the existence of many prestigious financial institutions. Trouble in banks then led to tight money, a general slowdown in the economy, lost jobs and a worsening of the housing crisis that started the whole mess in the first place.

Finding money in today’s banking environment is a company’s biggest concern and challenge, and rightfully so. Small businesses are constantly planning capital needs and investing time with lenders to plan financial needs. Here are several ways for you to pave the way toward obtaining the financing you need. Today, lenders won’t even look at “good” deals, let alone anything may be the slightest bit out of the box.

Unless you have all of the cash required to launch or expand your business, one of the most challenging aspects of running a small business is locating resources to raise money. Raising capital is the most basic of all business activities. But, as many entrepreneurs quickly discover, raising capital may not be easy; in fact, it can be a complex and frustrating process. However, if you are informed and have planned effectively, raising money for your business will not be a painful experience.

Whether your business needs funds due to unforeseen expenses, or you’re looking to expand, you will need to communicate to investors. They are interested in the quantity of capital you need, your product, your company, and your financials. And sometimes today that isn’t enough. The most important things they look for are your business plan, management team, your track record, and your exit strategy. This information is critical to them so they understand how they will get their money back. But even with a government guarantee, they want only the “cream” of deals. They have tightened even older companies financial agility to reach new market opportunities to almost nothing. Orders back up because company A can’t get an increase in their credit line let alone get a term loan, so Company B sits waiting for things to “loosen up” again. Which means that Company C can’t make the parts Company B needs to make sales to Company A, The adverse effect ripples all the way down the supply chain.

Since October, the U.S. Treasury has been buying stock in banks around the country as part of the Capital Purchase Program. Initially, the program's money was to be used to prop up troubled banks. More recently, the Treasury has been buying stock in healthy banks, with the goal of encouraging those banks to turn around and lend out that money to customers. Despite that encouragement, lending is in gridlock.

Most consumers know what The Wall Street Journal proved on, July 27, 2009: The total number of loans held by 15 large U.S. banks shrank by 2.8 percent in the second quarter. All you have to do is talk to friends and neighbors about lending and you'll find story after story about difficulties getting a loan or mortgage.

The numbers underscore two related trends weighing on the economy. Financial institutions are clamping down on lending to conserve capital as a cushion against mounting loan losses. And loan demand is falling as companies shelve expansion plans and consumers trim spending to ride out the recession.

That combination is making it harder for the U.S. economy to rebound, and some analysts predict that loan portfolios won't start growing until the second half of 2010.

As firms continue to downsize, cut costs and reduce inventories, the nation's largest banks are reporting that demand for credit in the commercial real estate market is well below normal levels, according to the U.S. Treasury Department's monthly bank lending survey from the largest 21 recipients of government bailout money through the Capital Purchase Program.

After private investors grew reluctant last year about buying SBA loans from the firms that finance them, these firms found themselves weighed down with old loans, which prevented them from funding new loans for small businesses.

The recovery of the SBA credit markets has been a rare bright spot for small business lending. While SBA loans remain a fraction of the overall credit issued to small businesses, these government-backed loans have been on the upswing since Congress approved the administration’s $787 billion economic stimulus package in February. That legislation waived many of the fees that banks pay to the government for offering SBA loans and raised the public guarantee on any loan losses to 90 percent.

From the July 27, 2009 Daily Finance –

“More than half of the new loans made by banks in April and May were for refinancing mortgages and renewing credit to business, not new loans. Some analysts don't expect to see loan portfolios grow until the second half of 2010.”

So you have to ask again: What happened to the TARP funds that were supposed to be spent on stimulating the economy?

While everyone knows it didn't go toward stimulating the economy, Ben Bernanke was cryptic on where exactly it did go in his town hall forum this weekend, "I don't expect to see another TARP program because at this point the money isn't being used for financial stabilization but for other things."

Banks have been using TARP funds that were supposed to ultimately increase lending to instead merge with other banks or for their investment banking or trading activities. Four of the bailed out banks -- Bank of America, Citigroup, JP Morgan Chase and Goldman Sachs -- reported a total of $13.6 billion in profits in the second quarter, just a year after they lost a combined $20.8 billion. So all that TARP did was rejuvenate the big banks and ignore the financial needs of the rest of the population. The banks do not have to report how they spend the funds and they certainly haven't been using the funds to make new loans.

For example, one large TARP bailout recipient --- reported its loan portfolio fell 3.6 percent in the second quarter. The bank blamed the decrease on higher loan losses and lower loan demand as borrowers paid off outstanding debts. I wonder have much of the lower demand is because the bank lowered the available credit on those borrowers? Bank of America and other major banks have been aggressively lowering available credit on equity lines and credit cards.

But when you look back at the language when TARP was passed, you can see it was intended to stabilize the financial markets. The only thing said about lending was, "With time, strengthening our financial institutions and markets will allow credit to begin flowing again, supporting economic growth."

Consumer spending has led us out of most recessions, but consumers can't help this time because credit is so tight.

Trillions are being thrown at the problem, but don't seem to be getting any bang for the buck, except helping the banks to turn a profit. It's time to stop worrying about Wall Street profits and start worrying about Main Street in any new economic policies.”